

**Town of Smyrna, Delaware**  
**Financial Statements and**  
**Independent Auditors' Report**  
**December 31, 2003**

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## Independent Auditors' Report

To the Town Council  
Town of Smyrna, Delaware

We have audited the accompanying general-purpose financial statements of the Town of Smyrna, Delaware (the Town) as of and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the Town's Pension Trust Fund, which should be included in order to conform with accounting principles generally accepted in the United States of America. The effect of omitting the assets, liabilities, revenues, and expenses of the Pension Trust Fund from the general-purpose financial statements is unknown.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The combining financial statements listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A stylized, handwritten signature of "SantoraBaffone" in dark ink, with "CPA Group" written in a smaller, sans-serif font below it.

October 13, 2004  
Newark, Delaware

**Town of Smyrna, Delaware**

**Combined Balance Sheet - All Fund Types and Account Groups**

**December 31, 2003**

	Governmental Fund Types		Proprietary Fund Type	Account Groups			Total (Memorandum Only)
	General Fund	Special Revenue Funds		General Fixed Asset Account Group	General Long-Term Debt Account Group		
ASSETS							
Current assets							
Cash and cash equivalents	\$ 472,126	\$ 1,220,917	\$ 1,095,315	\$ -	\$ -		\$ 2,788,358
Investments	232,021	3,148,000	-	-	-		3,380,021
Taxes receivable	31,723	-	-	-	-		31,723
Accounts receivable	108,955	-	869,377	-	-		978,332
Interest receivable	-	23,554	-	-	-		23,554
Due from other governments	132,764	-	-	-	-		132,764
Prepaid items	194,415	-	-	-	-		194,415
Inventory	18,604	-	509,392	-	-		527,996
Land held for resale	45,080	-	-	-	-		45,080
Restricted assets	-	-	-	-	-		-
Meter deposits	-	-	276,042	-	-		276,042
Total current assets	1,235,688	4,392,471	2,750,126	-	-		8,378,285
Noncurrent assets							
Construction in progress	-	-	1,658,271	-	-		1,658,271
Capital assets, net	-	-	2,579,822	4,735,917	-		7,315,739
Total noncurrent assets	-	-	4,238,093	4,735,917	-		8,974,010
Total assets	1,235,688	4,392,471	6,988,219	4,735,917	-		17,352,295
OTHER DEBITS							
Amount to be provided for retirement of compensated absences	-	-	-	-	-	430,937	430,937
TOTAL ASSETS AND OTHER DEBITS	\$ 1,235,688	\$ 4,392,471	\$ 6,988,219	\$ 4,735,917	\$ -	\$ 430,937	\$ 17,783,232

Continued...

**Town of Smyrna, Delaware**

**Combined Balance Sheet - All Fund Types and Account Groups (Continued)**

**December 31, 2003**

	Governmental Fund Types		Proprietary Fund Type	Account Groups			Total
	General Fund	Special Revenue Funds	Enterprise Funds	General Fixed Asset Account Group	Long-Term Debt Account Group	(Memorandum Only)	
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	\$ 406,044	\$ 60,636	\$ 672,014	\$ -	\$ -	\$ 1,138,694	
Deferred revenue	22,383	-	-	-	-	22,383	
Developer deposits	3,720	-	88,900	-	-	92,620	
Accrued compensated absences	5,023	-	-	-	-	5,023	
Loan payable within one year	-	-	7,500	-	-	7,500	
Current liabilities payable from restricted assets	-	-	-	-	-	-	
Meter deposits	-	-	276,042	-	-	276,042	
<b>Total current liabilities</b>	<b>437,170</b>	<b>60,636</b>	<b>1,044,456</b>	<b>-</b>	<b>-</b>	<b>1,542,262</b>	
Noncurrent liabilities							
Accrued compensated absences	-	-	126,626	-	430,937	557,563	
Loan payable	-	-	67,500	-	-	67,500	
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>194,126</b>	<b>-</b>	<b>430,937</b>	<b>625,063</b>	
<b>Total liabilities</b>	<b>437,170</b>	<b>60,636</b>	<b>1,238,582</b>	<b>-</b>	<b>430,937</b>	<b>2,167,325</b>	
<b>FUND BALANCES AND OTHER CREDITS</b>							
Investment in general fixed assets	-	-	-	4,735,917	-	4,735,917	
Retained earnings - unreserved	-	-	5,749,637	-	-	5,749,637	
Unreserved, designated for police expenditures	-	62,824	-	-	-	62,824	
Unreserved, designated for public works expenditures	-	514,948	-	-	-	514,948	
Fund balance - reserved for capital projects	-	3,754,063	-	-	-	3,754,063	
Fund balance - reserved for land held for resale	45,080	-	-	-	-	45,080	
Fund balance - unreserved, undesignated	753,438	-	-	-	-	753,438	
<b>Total fund balances and other credits</b>	<b>798,518</b>	<b>4,331,835</b>	<b>5,749,637</b>	<b>4,735,917</b>	<b>-</b>	<b>15,615,907</b>	
<b>TOTAL LIABILITIES, FUND BALANCES AND OTHER CREDITS</b>	<b>\$ 1,235,688</b>	<b>\$ 4,392,471</b>	<b>\$ 6,988,219</b>	<b>\$ 4,735,917</b>	<b>\$ 430,937</b>	<b>\$ 17,783,232</b>	

The accompanying notes are an integral part of these financial statements.

**Town of Smyrna, Delaware**

**Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances - All Governmental Fund Types**

**For the Year Ended December 31, 2003**

	General Fund	Special Revenue Funds	Total (Memorandum Only)
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 709,448	\$ -	\$ 709,448
Transfer taxes	694,632	-	694,632
Special assessments - impact fees	881,914	-	881,914
Charges for services	586,421	-	586,421
Intergovernmental	223,926	-	223,926
Licenses, fees, and permits	671,477	379,285	1,050,762
Fines and forfeitures	95,886	-	95,886
Rental	60,000	-	60,000
Utility franchise fees	98,579	-	98,579
Investment income	24,799	35,827	60,626
Miscellaneous	6,990	-	6,990
<b>Total revenues</b>	<b>4,054,072</b>	<b>415,112</b>	<b>4,469,184</b>
<b>EXPENDITURES</b>			
Current			
General government	1,182,448	-	1,182,448
Public safety	1,919,498	107,773	2,027,271
Public works - highways and streets	824,582	4,757	829,339
Planning and inspection	368,277	-	368,277
Library	153,736	-	153,736
Culture and recreation	77,653	-	77,653
Capital outlay	483,568	1,612,607	2,096,175
<b>Total expenditures</b>	<b>5,009,762</b>	<b>1,725,137</b>	<b>6,734,899</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(955,690)</b>	<b>(1,310,025)</b>	<b>(2,265,715)</b>
<b>OTHER FINANCING SOURCES</b>			
Gain on sale of land held for resale	268,830	-	268,830
<b>DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(686,860)</b>	<b>(1,310,025)</b>	<b>(1,996,885)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,485,378</b>	<b>5,641,860</b>	<b>7,127,238</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 798,518</b>	<b>\$ 4,331,835</b>	<b>\$ 5,130,353</b>

The accompanying notes are an integral part of these financial statements.

**Town of Smyrna, Delaware**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 700,000	\$ 709,448	\$ 9,448
Transfer taxes	300,000	694,632	394,632
Special assessments - impact fees	-	881,914	881,914
Charges for services	580,200	586,421	6,221
Intergovernmental	219,500	223,926	4,426
Licenses, fees, and permits	375,000	671,477	296,477
Fines and forfeitures	46,000	95,886	49,886
Rental	-	60,000	60,000
Utility franchise fees	87,000	98,579	11,579
Investment income	34,000	24,799	(9,201)
Miscellaneous	-	6,990	6,990
Total revenues	<u>2,341,700</u>	<u>4,054,072</u>	<u>1,712,372</u>
<b>EXPENDITURES</b>			
Current			
General government	851,881	1,182,448	(330,567)
Public safety	1,742,748	1,919,498	(176,750)
Public works - highways and streets	764,600	824,582	(59,982)
Planning and inspection	364,830	368,277	(3,447)
Library	126,610	153,736	(27,126)
Culture and recreation	121,950	77,653	44,297
Capital outlay	422,003	483,568	(61,565)
Total expenditures	<u>4,394,622</u>	<u>5,009,762</u>	<u>(615,140)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,052,922)</u>	<u>(955,690)</u>	<u>1,097,232</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	2,000,000	-	(2,000,000)
Gain on sale of land held for resale	117,566	268,830	151,264
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>\$ 64,644</u>	<u>\$ (686,860)</u>	<u>\$ (751,504)</u>

The accompanying notes are an integral part of these financial statements.

**Town of Smyrna, Delaware**

**Combined Statement of Revenues, Expenses, and Changes in  
Retained Earnings - Proprietary Fund Type**

**For the Year Ended December 31, 2003**

	Total (Memorandum Only)
OPERATING REVENUES	
Charges for services	\$ 7,555,182
Penalties and fees	173,449
Miscellaneous	88,891
Total operating revenues	7,817,522
OPERATING EXPENSES	
Electric purchased	3,647,913
Sewer charges	760,398
System maintenance	183,866
Salaries and wages	584,699
Employee benefits	195,974
Depreciation	144,884
Supplies and maintenance	117,706
Truck and vehicles	34,968
Insurance	110,154
Administration expenses	36,611
Minor capital additions	11,178
Total operating expenses	5,828,351
OPERATING INCOME	1,989,171
NONOPERATING REVENUES	
Interest income	52,543
NET INCOME BEFORE CONTRIBUTIONS	2,041,714
Developer contributions	893,706
Capital contributions from capital reserve	915,627
NET INCOME	3,851,047
RETAINED EARNINGS - BEGINNING OF YEAR	1,898,590
RETAINED EARNINGS - END OF YEAR	\$ 5,749,637

The accompanying notes are an integral part of these financial statements.



**Town of Smyrna, Delaware**  
**Combined Statement of Cash Flows - Proprietary Fund Type**  
**For the Year Ended December 31, 2003**

	Total (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 7,726,734
Paid to suppliers for goods and services	(4,816,049)
Paid to employees for services	(758,700)
Net cash provided by operating activities	2,151,985
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Proceeds from loan payable	75,000
Net interfund capital asset transfers	(81,054)
Developer contributions and repayments of escrows	234,941
Capital contributions received	915,627
Acquisition and construction of capital assets	(2,240,783)
Net cash used in capital financing activities	(1,096,269)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and investment earnings	39,407
Net meter deposit payments and repayments	(28,041)
Net cash provided by investing activities	11,366
Net increase in cash and cash equivalents	1,067,082
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	28,233
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,095,315</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 1,989,171
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	144,884
Changes in assets and liabilities	
Increase in accounts receivable	(90,788)
Decrease in inventory	27,476
Increase in accounts payable	59,270
Increase in compensated absences	21,972
Net cash provided by operating activities	<u>\$ 2,151,985</u>

The accompanying notes are an integral part of these financial statements.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements**

#### **Note A - Financial Reporting Entity**

The Town of Smyrna, Delaware (the Town) was incorporated in 1817 under the provisions of the State of Delaware. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, streets, sanitation, utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administration.

The Town has adopted Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* (GASB 14), which provides standards for defining the financial reporting entity and identifying entities to be included in its general purpose financial statements. GASB 14 requirements for inclusion have been more specifically defined based upon financial accountability, as compared with previous standards based on oversight responsibility.

#### **Note B - Summary of Significant Accounting Policies**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Town, accounted for in the accompanying financial statements, have been classified in the following fund types and account groups:

##### Governmental Funds

*General Fund* - This fund is used to account for the general operating activities of the Town. General government, public safety, public works, planning and inspections, and parks and recreation are financed through this fund with receipts from general property and transfer taxes, special assessments/impact fees, licenses, fees and permits, interest and dividends, fines and forfeits, charges for current services, intergovernmental, and other revenue.

## Town of Smyrna, Delaware

### Notes to Financial Statements (Continued)

#### Note B - Summary of Significant Accounting Policies (Continued)

##### Governmental Funds (Continued)

*Special Revenue Funds* - These funds are used to account for the process of specific revenue sources (other than capital projects) that are legally or administratively restricted to expenditures for specified purposes:

**Capital Reserve Fund** - Used to account for the design, construction, and improvement of Town buildings, land improvements, and the purchase and replacement of vehicles, machinery, and equipment.

**Municipal Street Aid Fund** - Used to account for the paving and maintenance of Town streets and storm sewers with revenues from state grants and other local resources.

**S.A.L.L.E. Fund, E.I.D.E. Fund, Resource Officer Fund, and Forfeiture Fund** - Used to account for certain operations of local law enforcement activities with revenue from federal and state grants and other local sources.

##### Proprietary Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises wherein the intent of the Town Council is that the costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) wherein the Town Council has decided that periodic determination of revenues earned, expenditures incurred and/or net income is appropriate for capital maintenance public policy, management control, accountability or other purposes. The Town applies applicable Governmental Accounting Standards Board (GASB) pronouncements and only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

**Electric Fund** - Used to account for the operation of an electric distribution system.

**Water and Sewer Fund** - Used to account for the operation of a water supply and sewer collection system.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### **1. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources' measurement focus. This means that only current assets and current liabilities generally are included in their balance sheets. Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources' measurement focus, which means that all assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, that is, the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the Town considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Property tax receivables collected after 60 days from year end, though measurable, are not available soon enough to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### **1. Basis of Accounting (Continued)**

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received. Expenditures are recorded under the modified accrual basis of accounting when the related fund liability is incurred. Significant exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts in excess of expendable available financial resources; and (2) principal and interest on general long-term debt, which is recognized when due. Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Nonbilled sewer, water, and electric service receivables are recorded at year end.

##### **2. Fixed Assets and Long-Term Liabilities**

Fixed assets used in governmental fund type operations (general capital assets) are accounted for in the general fixed assets account group rather than in the governmental funds. Public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, sidewalks, drainage systems, and lighting systems have not been capitalized.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds. No depreciation has been provided in general fixed assets. All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Depreciation of all fixed assets used by proprietary funds is charged as an expense against their operations, and accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method over estimated useful lives as follows:

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### **2. Fixed Assets and Long-Term Liabilities (Continued)**

Buildings	20 - 40 years
Electric system	15 - 30 years
Sewer system	50 years
Water system	20 - 50 years
Improvements	10 - 20 years
Machinery and equipment	5 - 10 years

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group at face value. Certain other government fund obligations not expected to be financed with current available financial resources also are reported in the General Long-Term Debt Account Group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

##### **3. Compensated Absences**

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 45 days maximum is paid if termination is through retirement or death. Vacation leave is accrued for each month of work performed. The accrual rate increases with years of service up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service.

Accumulated vacation and sick leave is accrued when incurred in the proprietary fund types. A liability is reported in the governmental funds only if it is expendable from available financial resources. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental fund activities. Compensated absences associated with proprietary funds are liquidated from the fund in which the liability was generated.

**Town of Smyrna, Delaware**

**Notes to Financial Statements (Continued)**

**Note B - Summary of Significant Accounting Policies (Continued)**

**3. Compensated Absences (Continued)**

At December 31, 2003, accrued compensated absences in the long-term debt account group totaled \$430,937. This total is comprised of accrued vacation leave of \$82,806 and accrued sick leave of \$348,131. In addition, at December 31, 2003, accrued compensated absences in the proprietary fund types totaled \$126,626. This total is comprised of accrued vacation leave of \$14,542 and accrued sick leave of \$112,084.

**4. Fund Equity**

Governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**5. Budgets and Budgetary Accounting**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2003, there were no revisions to any legally adopted budgets.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### **6. Allowance for Doubtful Accounts**

The Town's water, sewer, and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing, and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts had not been established by the Town for its proprietary funds.

##### **7. Inventories and Prepaid Items**

Inventories of proprietary fund types are valued at the lower of cost or market, using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **8. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

##### **9. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.



## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note C - Cash, Cash Equivalents, and Investments**

The Town, as a depositor and an investor, generally requires full and continuous collateralization based upon fair value in the form of the following:

- Obligations of or guaranteed by the United States of America; or
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority, or any agency or instrumentality of the United States of America; or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities, or any agency or instrumentality of the State of Delaware.
- As an investor, the Town may invest in any of the above-cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial balance sheet as either cash or investments. Investments of governmental and proprietary funds are reported at fair value.

#### **1. Cash and Cash Equivalents**

As of December 31, 2003, the carrying amount of the cash and cash on hand was \$2,788,358. The bank balances were \$3,497,649. Of the bank balance, \$117,344 was covered by federal depository insurance, \$2,168,501 was covered by collateral held by the Town or its agent in the Town's name, and \$1,211,804 was covered by collateral held by the counterparty's trust department or agent not in the Town's name.

#### **2. Investments**

The Town's investments, which are reported at fair value, are categorized below to give an indication of the level of risk assumed at year end.

Category 1 - Includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name.

**Town of Smyrna, Delaware**

**Notes to Financial Statements (Continued)**

**Note C - Cash, Cash Equivalents, and Investments (Continued)**

**2. Investments (Continued)**

Category 2 - Includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 - Includes uninsured or unregistered investments with securities held by the counterparty's trust department or agent not in the Town's name. The following is a schedule that details the Town's investments categorized by risk:

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Negotiable Certificates of Deposit	<u>\$3,148,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,148,000</u>

Investments held in mutual funds are not required to be categorized because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 3. Therefore, the mutual funds included in these statements will not be assigned a credit risk category. The carrying amount of mutual funds at December 31, 2003 was \$232,021.

**Note D - Property Taxes**

Property taxes attach as an enforceable lien on property when levied. Taxes are levied on May 1st and are payable on or before September 30th. Taxes paid before May 31st are given a 6% discount. Taxes paid after the payable date are assessed interest at 1½% per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a pro rata basis. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2003 was 31 cents per \$100 of assessed value.

# **Town of Smyrna, Delaware**

## **Notes to Financial Statements (Continued)**

### **Note E - Fixed Assets**

A summary of changes in the general fixed assets account group for the year ended December 31, 2003 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 947,283	\$ 3,600	\$153,115	\$ 797,768
Buildings and improvements	1,422,023	634,270	-	2,056,293
Machinery and equipment	1,178,887	198,644	6,495	1,371,036
Furniture and fixtures	<u>484,103</u>	<u>153,666</u>	<u>126,949</u>	<u>510,820</u>
Total	<u>\$4,032,296</u>	<u>\$990,180</u>	<u>\$286,559</u>	<u>\$4,735,917</u>

A summary of changes of proprietary fund fixed assets for the year ended December 31, 2003 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 45,171	\$ -	\$ -	\$ 45,171
Construction-in-progress	<u>1,585,140</u>	<u>73,131</u>	<u>-</u>	<u>1,658,271</u>
Total capital assets not being depreciated	1,630,311	73,131	-	1,703,442
Capital assets being depreciated:				
Buildings and improvements	228,220	-	-	228,220
Electric system	377,714	1,655,818	-	2,033,532
Water/sewer system	470,741	284,388	-	755,129
Machinery and equipment	<u>1,112,882</u>	<u>227,446</u>	<u>40,971</u>	<u>1,299,357</u>
Total capital assets being depreciated	2,189,557	2,167,652	40,971	4,316,238

# **Town of Smyrna, Delaware**

## **Notes to Financial Statements (Continued)**

### **Note E - Fixed Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation:				
Buildings and improvements	\$ 192,050	\$ 4,910	\$ -	\$ 196,960
Electric system	324,825	61,225	-	386,050
Water/sewer system	277,739	17,078	-	294,817
Machinery and equipment	<u>883,060</u>	<u>61,671</u>	<u>40,971</u>	<u>903,760</u>
Total accumulated depreciation	<u>1,677,674</u>	<u>144,884</u>	<u>40,971</u>	<u>1,781,587</u>
Total fixed assets being depreciated, net	<u>511,883</u>	<u>2,022,768</u>	<u>-</u>	<u>2,534,651</u>
Total fixed assets proprietary funds, net	<u>\$2,142,194</u>	<u>\$2,095,899</u>	<u>\$ -</u>	<u>\$4,238,093</u>

### **Note F - Long-Term Debt**

#### *Proprietary Fund Debt*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Loan payable	<u>\$ -</u>	<u>\$75,000</u>	<u>\$ -</u>	<u>\$75,000</u>

The loan payable was issued by the Delaware Economic Development Authority to fund the Town's water main expansion that will serve the Wal-Mart Distribution Center on Route 300. The loan matures on May 1, 2013 and bears no interest. Annual principal payments are due on May 1st.

An analysis of debt service requirements to maturity on the loan is as follows for the years ending December 31,:

2004	\$ 7,500
2005	7,500
2006	7,500
2007	7,500
2008	7,500
2009 - 2013	<u>37,500</u>
Total	<u>\$75,000</u>

## Town of Smyrna, Delaware

### Notes to Financial Statements (Continued)

#### Note G - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments*. This statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Town is required to implement this standard for the fiscal year ending December 31, 2004. The Town has not yet determined the full impact that adoption of GASB No. 34 will have on the financial statements.

#### Note H - Police Pension Fund

##### *Plan Description and Provisions*

The Town's Police Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's police officers.

The plan was established as of January 1, 1966, spun off in 1975 to create the current plan, and revised as of January 1994. The financial records are maintained on a plan year that begins each January 1 and ends on December 31.

The plan is administered by the Committee (Plan Administration) that is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services and Aetna Life Insurance Company.

As of January 1, 2003, pension plan membership consisted of the following:

Active employees	17
Retirees and beneficiaries currently deferring benefits	7
Retirees and beneficiaries currently receiving benefits	<u>4</u>
	<u>28</u>

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note H - Police Pension Fund (Continued)**

##### *Plan Description and Provisions (Continued)*

Police Pension Fund plan benefit provisions are as follows:

All police officers are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.

Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100% vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.

For employees hired on or before April 19, 1999, the pension plan provides for normal retirement at age 50 and completion of 10 years of participation or 30 years of vesting service.

For employees hired after April 19, 1999, the plan provides for normal retirement at age 55 and completion of 10 years of participation, or completion of 35 years of vesting service.

Participant benefits are based on 2% of final average compensation multiplied by benefit service not to exceed 40 years. There is no provision for early retirement.

##### Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the frozen entry age method with an investment return of 7% per year and compensation increase rate of 4.5% per year. Under this method, an unfunded actuarial accrued liability is determined under the entry age actuarial cost method as of an initial valuation date. In each subsequent year, the unfunded actuarial accrued liability is reduced by any contributions in excess of the normal cost for the year and is adjusted for interest. Whenever there are plan amendments and changes in actuarial assumptions as of the current valuation date, the actuarial value of assets and the unfunded actuarial accrued liability are subtracted from the actuarial present value of projected benefits for all participants to develop the actuarial

# **Town of Smyrna, Delaware**

## **Notes to Financial Statements (Continued)**

### **Note H - Police Pension Fund (Continued)**

#### Annual Pension Cost (Continued)

present value of future normal costs. The normal cost is determined as the annual amount required, as a level percentage of plan compensation, to fund the actuarial present value of future normal costs over the expected average working lifetime of active participants under the assumed retirement age.

Actuarial present value of projected benefits		
Active Participants		
Retirement benefits		\$2,185,393
Termination benefits		210,154
Pre-retirement spouse's death benefit		<u>14,277</u>
		2,409,824
Deferred vested participants		271,056
Participants in pay status		<u>532,270</u>
All participants		<u>\$3,213,150</u>
Actuarial value of assets		<u>\$1,404,522</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/03	\$216,631	100.00%	\$ -
12/31/02	177,438	100.00%	-
12/31/01	109,427	100.00%	-

The above information regarding the Police Pension Fund was taken from the January 1, 2003 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA, dated December 2003.

### **Note I - Full-Time Employees' Pension Fund**

#### *Plan Description and Provisions*

The Town's Full-Time Employee Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's employees.

**Town of Smyrna, Delaware**

**Notes to Financial Statements (Continued)**

**Note 1 - Full-Time Employees' Pension Fund (Continued)**

*Plan Description and Provisions (Continued)*

The plan was established as of January 1, 1966, spun off in 1975 to create the current plan, and revised as of January 1994. The financial records are maintained on a plan year that begins each January 1 and ends on December 31.

The plan is administered by the Committee (Plan Administration) that is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services and Aetna Life Insurance Company.

As of January 1, 2003, pension plan membership consisted of the following:

Active employees	28
Retirees and beneficiaries currently deferring benefits	18
Retirees and beneficiaries currently receiving benefits	<u>8</u>
	<u>54</u>

Full-Time Employee Pension Fund plan benefit provisions are as follows:

- All full-time employees are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.
- Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100% vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.
- The pension plan provides for normal retirement at age 65 and completion of 10 years of participation.
- Participant benefits are based on 2% of final average compensation multiplied by benefit service not to exceed 40 years. Eligibility for early retirement benefit is age 55 and 10 years of vesting service.



# Town of Smyrna, Delaware

## Notes to Financial Statements (Continued)

### **Note I - Full-Time Employees' Pension Fund (Continued)**

#### Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the frozen entry age method with an investment return of 7% and compensation increase of 4.5% per year. Under this method, an unfunded actuarial accrued liability is determined under the entry age actuarial cost method as of an initial valuation date. In each subsequent year, the unfunded actuarial accrued liability is reduced by any contributions in excess of the normal cost for the year and is adjusted for interest. Whenever there are plan amendments and changes in actuarial assumptions as of the current valuation date, the actuarial value of assets and the unfunded actuarial accrued liability are subtracted from the actuarial present value of projected benefits for all participants to develop the actuarial present value of future normal costs. The normal cost is determined as the annual amount required, as a level percentage of plan compensation, to fund the actuarial present value of future normal costs over the expected average working lifetime of active participants under the assumed retirement age.

#### Actuarial present value of projected benefits

Active Participants	
Retirement benefits	\$2,188,431
Termination benefits	131,572
Pre-retirement spouse's death benefit	<u>71,360</u>
	2,391,363
Deferred vested participants	252,355
Participants in pay status	<u>540,440</u>
All participants	<u>\$3,184,158</u>

Actuarial value of assets	<u>\$1,514,451</u>
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<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/03	\$149,474	100.00%	\$ -
12/31/02	188,411	100.00%	-
12/31/01	97,737	100.00%	-

**Town of Smyrna, Delaware**

**Notes to Financial Statements (Continued)**

**Note I - Full-Time Employees' Pension Fund (Continued)**

Annual Pension Cost (Continued)

The above information regarding the Full-Time Employee Pension Fund was taken from the January 1, 2003 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA, dated December 2003.

**Note J - Post-Employment Retirement Benefits**

In addition to the pension benefits described in Notes H and I, the Town provides post-employment retirement healthcare benefits for employees that meet eligibility requirements. The benefit allows employees to continue under the Town's health insurance group plan with coverage being provided only to the retired employee and his or her spouse with the following limits:

Employees retiring prior to September 15, 1997:

- The retired employee shall pay 15% of the total premium costs. Employees must meet the service time and age schedule at the time they retire from the Town to be eligible for participation in the plan. Upon the death of the retired employee, spouses are permitted to maintain individual coverage on the plan, but shall pay 100% of the cost. The Town's cost for the spouse's coverage shall not exceed the cost of the retired employee's coverage.

Employees retiring on September 15, 1997 and thereafter:

- The Town will pay 100% of the total premium cost for the retired employee.
- Employees must meet the service time and age schedule at the time they retire from the Town to be eligible for participation in the plan.
- Expenditures for post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2003 were \$24,675.
- Union employees are excluded from all post-employment retirement benefits.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note K - Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purpose. Each participant directs the investments in his/her respective accounts, and the Town has no liability for any losses that may be incurred. Due to recently approved federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the Town. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the Town and not included in the accompanying financial statements.

#### **Note L - Commitments and Contingencies**

The Town participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Town is potentially liable for any expenditures that may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

The Town purchases wholesale electricity from the Delaware Municipal Electric Corporation (DEMEC) for resale. The Town, along with nine other municipalities, are the members of DEMEC. As of October 13, 2003, the Town renewed its power sales contract with DEMEC from January 1, 2004 through May 31, 2005.

#### **Note M - Land Held for Resale**

On October 24, 1995, the Town entered into an agreement with the Delaware Economic Development Office to obtain funding for the purchase of property to be used for the development of the Smyrna Industrial Park. On July 25, 1996, the Town purchased 95.8286 acres for \$1 million with funds supplied by the State of Delaware Economic Development Office. In accordance with the agreement, the Town has provided matching funds equal to the purchase price of the property. The matching funds were used for infrastructure, consulting, and marketing associated with the project.

## **Town of Smyrna, Delaware**

### **Notes to Financial Statements (Continued)**

#### **Note M - Land Held for Resale (Continued)**

The Town designated 50.69 acres of the Smyrna Industrial Park as land held for resale. The Town recorded these parcels of land held for resale in its financial records. The properties held for resale are recorded at the lower of cost or net realizable value. At December 31, 2003, remaining land held for resale totaled \$45,080 (4.32 acres), with this amount offset by a reservation of fund balance in the governmental funds' financial statements.

#### **Note N - Risk Management**

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professional, public officials, and crime. There has been no significant change in coverage and there have been no losses above insurance limits during the past year.

#### **Note O - Prior Period Adjustments**

The Fund Balance in the General Fund has been adjusted to correct an error made in prior years. Previously, land purchased by the town for resale was recorded within the proprietary fund. The prior period adjustment below removes the due from the proprietary fund of \$1,283,603 and records the remaining land at cost \$126,000 on the General Funds' balance sheet. Prior years change in fund balance would not have been effected as the revenue over expenditures was transferred to the General Fund.

Balance - beginning of the year, as previously reported	\$ 2,642,981
Prior period adjustment - eliminate incorrect proprietary fund	<u>(1,157,603)</u>
Balance - beginning of year, as restated	<u>\$ 1,485,378</u>

## **Additional Information**

**Town of Smyrna, Delaware**

**Combining Balance Sheet - Special Revenue Funds**

**December 31, 2003**

	Capital Reserve Fund	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 643,145	\$ 514,948	\$ 4,815	\$ 1,471	\$ 14,505	\$ 42,033	\$ 1,220,917
Investments	3,148,000	-	-	-	-	-	3,148,000
Interest receivable	23,554	-	-	-	-	-	23,554
<b>TOTAL ASSETS</b>	<u>\$ 3,814,699</u>	<u>\$ 514,948</u>	<u>\$ 4,815</u>	<u>\$ 1,471</u>	<u>\$ 14,505</u>	<u>\$ 42,033</u>	<u>\$ 4,392,471</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 60,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,636
<b>FUND BALANCE</b>							
Reserved for capital projects	3,754,063	-	-	-	-	-	3,754,063
Unreserved, designated for police expenditures	-	-	4,815	1,471	14,505	42,033	62,824
Unreserved, designated for public works expenditures	-	514,948	-	-	-	-	514,948
<b>Total fund balance</b>	<u>3,754,063</u>	<u>514,948</u>	<u>4,815</u>	<u>1,471</u>	<u>14,505</u>	<u>42,033</u>	<u>4,331,835</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,814,699</u>	<u>\$ 514,948</u>	<u>\$ 4,815</u>	<u>\$ 1,471</u>	<u>\$ 14,505</u>	<u>\$ 42,033</u>	<u>\$ 4,392,471</u>

**Town of Smyrna, Delaware**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Special Revenue Funds**

**For the Year Ended December 31, 2003**

	Capital Reserve Fund	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
<b>REVENUES</b>							
Intergovernmental	\$ 136,030	\$ 175,993	\$ 10,418	\$ 6,295	\$ 15,879	\$ 34,670	\$ 379,285
Investment income	30,640	5,187	-	-	-	-	35,827
Total revenues	166,670	181,180	10,418	6,295	15,879	34,670	415,112
<b>EXPENDITURES</b>							
Current							
Public works - streets	-	4,757	-	-	-	-	4,757
Public safety - police	-	-	8,650	5,852	15,000	78,271	107,773
Capital outlay	1,612,607	-	-	-	-	-	1,612,607
Total expenditures	1,612,607	4,757	8,650	5,852	15,000	78,271	1,725,137
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,445,937)	176,423	1,768	443	879	(43,601)	(1,310,025)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,200,000	338,525	3,047	1,028	13,626	85,634	5,641,860
<b>FUND BALANCE - END OF YEAR</b>	\$ 3,754,063	\$ 514,948	\$ 4,815	\$ 1,471	\$ 14,505	\$ 42,033	\$ 4,331,835

**Town of Smyrna, Delaware**  
**Combining Balance Sheet - Proprietary Fund Type**

**December 31, 2003**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 610,174	\$ 485,141	\$ 1,095,315
Accounts receivable	579,377	290,000	869,377
Inventory	397,125	112,267	509,392
Restricted assets			
Meter deposits	276,042	-	276,042
Total current assets	1,862,718	887,408	2,750,126
Noncurrent assets			
Construction in progress	-	1,658,271	1,658,271
Capital assets, net	1,895,201	684,621	2,579,822
Total noncurrent assets	1,895,201	2,342,892	4,238,093
<b>TOTAL ASSETS</b>	<b>\$ 3,757,919</b>	<b>\$ 3,230,300</b>	<b>\$ 6,988,219</b>
<b>LIABILITIES AND RETAINED EARNINGS</b>			
Current liabilities			
Accounts payable	\$ 471,379	\$ 200,635	\$ 672,014
Developer deposits	88,900	-	88,900
Loan payable within one year	-	7,500	7,500
Current liabilities payable from restricted assets			
Meter deposits	276,042	-	276,042
Total current liabilities	836,321	208,135	1,044,456
Noncurrent liabilities			
Accrued compensated absences	49,927	76,699	126,626
Loan payable	-	67,500	67,500
Total noncurrent liabilities	49,927	144,199	194,126
<b>TOTAL LIABILITIES</b>	<b>886,248</b>	<b>352,334</b>	<b>1,238,582</b>
<b>RETAINED EARNINGS</b>			
Unreserved	2,871,671	2,877,966	5,749,637
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 3,757,919</b>	<b>\$ 3,230,300</b>	<b>\$ 6,988,219</b>



**Town of Smyrna, Delaware**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Retained Earnings - Proprietary Fund Type**

**For the Year Ended December 31, 2003**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,285,901	\$ 2,269,281	\$ 7,555,182
Penalties and fees	95,203	78,246	173,449
Miscellaneous	47,994	40,897	88,891
 Total operating revenues	 5,429,098	 2,388,424	 7,817,522
<b>OPERATING EXPENSES</b>			
Electric purchased	3,647,913	-	3,647,913
Sewer charges	-	760,398	760,398
System maintenance	80,083	103,783	183,866
Salaries and wages	303,046	281,653	584,699
Employee benefits	112,266	83,708	195,974
Depreciation	90,753	54,131	144,884
Supplies and maintenance	48,365	69,341	117,706
Truck and vehicles	26,296	8,672	34,968
Insurance	30,692	79,462	110,154
Administration expenses	21,048	15,563	36,611
Minor capital additions	10,403	775	11,178
 Total operating expenses	 4,370,865	 1,457,486	 5,828,351
<b>OPERATING INCOME</b>	<b>1,058,233</b>	<b>930,938</b>	<b>1,989,171</b>
<b>NONOPERATING REVENUES</b>			
Interest income	39,407	13,136	52,543
<b>NET INCOME BEFORE CONTRIBUTIONS</b>	<b>1,097,640</b>	<b>944,074</b>	<b>2,041,714</b>
Developer contributions	893,706	-	893,706
Capital contributions from capital reserve	783,653	131,974	915,627
<b>NET INCOME</b>	<b>2,774,999</b>	<b>1,076,048</b>	<b>3,851,047</b>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>96,672</b>	<b>1,801,918</b>	<b>1,898,590</b>
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 2,871,671</b>	<b>\$ 2,877,966</b>	<b>\$ 5,749,637</b>

**Town of Smyrna, Delaware**

**Combining Statement of Cash Flows - Proprietary Fund Type**

**For the Year Ended December 31, 2003**

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 5,374,389	\$ 2,352,345	\$ 7,726,734
Paid to suppliers for goods and services	(3,605,411)	(1,210,638)	(4,816,049)
Paid to employees for services	(409,059)	(349,641)	(758,700)
Net cash provided by operating activities	1,359,919	792,066	2,151,985
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>			
Proceeds from loan payable	-	75,000	75,000
Net interfund capital asset transfers	27,475	(108,529)	(81,054)
Developer contributions and repayments of escrows	234,941	-	234,941
Capital contributions received	783,653	131,974	915,627
Acquisition and construction of capital assets	(1,835,413)	(405,370)	(2,240,783)
Net cash used in capital financing activities	(789,344)	(306,925)	(1,096,269)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and investment earnings	39,407	-	39,407
Net meter deposit payments and repayments	(28,041)	-	(28,041)
Net cash provided by investing activities	11,366	-	11,366
Net increase in cash and cash equivalents	581,941	485,141	1,067,082
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>28,233</u>	<u>-</u>	<u>28,233</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 610,174</u>	<u>\$ 485,141</u>	<u>\$ 1,095,315</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 1,058,233	\$ 930,938	\$ 1,989,171
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	90,753	54,131	144,884
Changes in assets and liabilities			
Increase in accounts receivable	(54,709)	(36,079)	(90,788)
(Increase) decrease in inventory	91,292	(63,816)	27,476
Increase (decrease) in accounts payable	168,098	(108,828)	59,270
Increase in compensated absences	6,252	15,720	21,972
Net cash provided by operating activities	<u>\$ 1,359,919</u>	<u>\$ 792,066</u>	<u>\$ 2,151,985</u>